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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
CONVERGENT COMMUNICATIONS SERVICES,
INC. FOR A CERTIFICATE OF CONVENIENCE
AND NECESSITY TO PROVIDE COMPETITIVE
INTRASTATE TELECOMMUNICATIONS
SERVICES AS A RESELLER EXCEPT LOCAL
EXCHANGE SERVICES

DOCKET NO. T-03628A-98-0537

PROCEDURAL ORDER**BY THE COMMISSION:**

On September 23, 1998, Convergent Communications Services, Inc. ("Company") filed with Docket Control of the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive intrastate telecommunications services as a reseller, except local exchange services, within the State of Arizona. The Company is required to publish notice of its filing in newspapers in all counties where service is to be provided. The record shows that the Company has published notice with affidavits of publication filed with the Commission on June 27, 2000. On August 28, 2000, the Commission's Utilities Division Staff ("Staff") filed its Staff Report in this matter.

On August 29, 2000, the Arizona Court of Appeals, Division One, ("Court") issued its Opinion in Cause No. 1 CA-CV 98-0672 ("Opinion"). The Court determined that Article XV, Section 14 of the Arizona Constitution requires the Commission to "determine fair value rate base ("FVRB") for all public service corporations in Arizona prior to setting their rates and charges." Although that Opinion will more than likely be appealed to the Arizona Supreme Court, we are going to request FVRB information at this time to insure compliance with the Constitution should the ultimate decision of the Supreme Court affirm the Court's interpretation of Section 14. We also are concerned that the cost and complexity of FVRB determinations must not offend the Telecommunications Act of 1996.

The time frame for processing the Company's application shall be extended to December 1,

1 2000.

2 Pursuant to A.R.S. § 40-282, the Commission may act on an application for a Certificate to
3 provide resold telecommunications services without a hearing, or with a hearing if one is requested
4 by any party.

5 The Commission now issues this Procedural Order to govern the preparation and conduct of
6 this proceeding.

7 IT IS THEREFORE ORDERED that the deadline for processing this application shall be
8 December 1, 2000.

9 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105
10 except that all motions to intervene must be filed on or before September 29, 2000.

11 IT IS FURTHER ORDERED that Convergent Communications Services, Inc. shall file its
12 proposed FVRB within 30 days of the date of this Order (pursuant to A.A.C. R14-2-103(B), this may
13 be the same as original cost rate base). The FVRB shall include the value of all plant and equipment
14 currently held by the Company and intended to be used to provide telecommunications services to
15 Arizona customers. In doing so, Convergent Communications Services, Inc. may use any reasonable
16 means of asset allocation, direct assignment or combination thereof.

17 IT IS FURTHER ORDERED that Convergent Communications Services, Inc. shall file a
18 description of all plant and equipment currently held by the Company and intended to be used to
19 provide telecommunications services to Arizona customers, including their cost and location, within
20 30 days of the date of this Order.

21 IT IS FURTHER ORDERED that Convergent Communications Services, Inc. shall file
22 information demonstrating how the value of the Company's plant and equipment (both current and
23 projected) is related to its total service long-run incremental costs within 30 days of the date of this
24 Order (such demonstration must include the amount of depreciation expense and capital carrying
25 costs related to the FVRB which has been incorporated into the long-run incremental costs).

26 IT IS FURTHER ORDERED that for all maximum rates and charges of Convergent
27 Communications Services, Inc. which are higher than those of the incumbent local exchange carrier
28 ("ILEC") for the same regulated services, Convergent Communications Services, Inc. must

demonstrate that such rates and charges are not unreasonable, and constitute a fair rate of return on FVRB (if there is more than one ILEC in your proposed service area, use Qwest Corporation as a surrogate ILEC for the entire state).

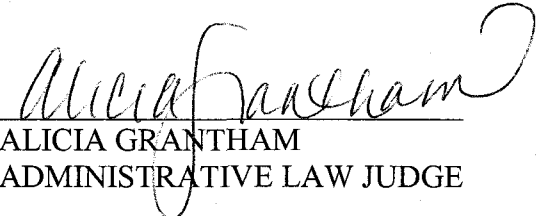
IT IS FURTHER ORDERED that Staff shall review the FVRB information filed and ascertain that Convergent Communications Services, Inc. is utilizing the appropriate amount of depreciation and capital carrying costs in determining its total service long-run incremental costs.

IT IS FURTHER ORDERED that Staff or Intervenors shall file disagreements with the proposed FVRB and/or rates and charges, as well as request a hearing, within 60 days of this Order.

IT IS FURTHER ORDERED that the time periods specified herein shall not be extended pursuant to Rule 6(a) or (e) of the Arizona Rules of Civil Procedure.

IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend or waive any portion of this Procedural Order by subsequent Procedural Order or by ruling at hearing.

DATED this 8th day of September, 2000.


ALICIA GRANTHAM
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed/delivered this 8th day of September, 2000 to:

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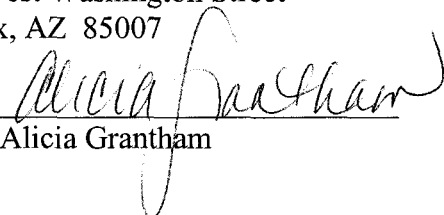
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